

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03

INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02 LAB-04

SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 L-03 H-01

PA-01 PRS-01 /084 W

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 773

INFO TREASURY WASHDC

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EO 11652 : N/A

TAGS : EFIN MX

SUBJ : GOM TO ISSUE PETRO BONDS

1. SUMMARY : GOM PLANS TO ISSUE TWO BILLION PESOS OF PETROBONDS IN APRIL. DETAILS OF PROPOSED BONDS ARE BECOMING WIDELY KNOWN, THOUGH MORE SHOULD BE KNOWN NEXT WEEK AT BANKERS' CONVENTION WHEN GOM PLANS PUBLIC ANNOUNCEMENT. BONDS APPEAR AS EXPENSIVE WAY TO BORROW, BUT FULFILL A STATEMENT MADE BY LOPEZ PORTILLO IN HIS DECEMBER 1 SPEECH. END SUMMARY.

2. ACCORDING TO VARIOUS REPORTS, GOM PLANS TO ISSUE TWO BILLION PESOS OF PETROBONDS SOME TIME IN APRIL. BONDS WILL HAVE A FOUR YEAR MATURITY AND PAY SEVEN PERCENT INTEREST. BONDS WILL BE IN THOUSAND PESO DENOMINATIONS, INDIVIDUAL PURCHASES WILL BE LIMITED TO ONE MILLION PESOS WHILE INSTITUTIONS WILL BE PERMITTED TO PURCHASE UP TO FIVE MILLION PESOS OF BONDS. BONDS WILL BE SOLD THROUGH BOTH PUBLIC AND PRIVATE CREDIT INSTITUTIONS PRESUMABLY AT PAR.

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3. INTEREST WILL BE PAID ON THE FACE VALUE OF THE BOND, WE UNDERSTAND. BONDS WILL BE TRADED ON MEXICAN STOCK EXCHANGE. GOVERNMENT MAY INTERVENE TO AVOID EXCESSIVE FLUCTUATIONS. THE PRICE WILL VARY ACCORDING TO THE DOLLAR PRICE OF CRUDE OIL AND THE PESO-DOLLAR EXCHANGE RATE. THAT IS, SHOULD THE DOLLAR APPRECIATE VIS A VIS THE PESO AND/OR THE PRICE OF OIL IN TERMS OF THE DOLLARS

INCREASE THE PESO PRICE OF THE BONDS SHOULD INCREASE.

4. THE BONDS WILL MATURE APRIL 1, 1981. WHEN THE BONDS ARE SOLD THE TREASURY WILL CONTRACT WITH PEMEX FOR THE PURCHASE OF A VOLUME OF CRUDE OIL EQUIVALENT. IT APPEARS, TO THE VALUE OF THE PROCEEDS OF THE BOND ISSUE. THIS VOLUME OF CRUDE OIL WILL BE SOLD BY PEMEX FOR THE ACCOUNT OF THE FEDERAL GOVERNMENT AT THE INTERNATIONAL PRICE PREVAILING AT THE MATURITY DATE FOR THE BONDS. BONDS WILL BE REDEEMED APPARENTLY AT A PRO RATED SHARE OF THIS. IT WOULD APPEAR THAT THE MARKET WOULD KNOW THE VALUE OF EACH BOND IN TERMS OF OIL DURING THE COURSE OF THEIR LIFE.

5. WE FIND THIS SCHEME COMPLICATED AND EXPECT MORE DETAILS TO BE AVAILABLE NEXT WEEK. PRIVATE BANKERS ARE REPORTEDLY NOT ENTHUSIASTIC ABOUT HAVING TO SELL THE BONDS BECAUSE THEY WILL COMPETE AGAINST THEIR OWN DEPOSITS.

6. BOND ISSUE SHOULD BE WELL RECEIVED. GOM AUTHORITIES HOPE THAT IT MIGHT GENERATE SOME CAPITAL REFLOWS AND NEWSPAPER STORIES TO THE EFFECT THAT SUCH REFLOWS SHOULD STRENGTHEN THE PESO IN THE NEXT SEVERAL WEEKS HAVE APPEARED.

7. THESE BONDS SEEM TO BE A VERY COSTLY WAY OF RAISING FUNDS AND WILL BE A HARD ACT TO FOLLOW. IN HIS DECEMBER 1, SPEECH, PRESIDENT ALSO MENTIONED BONDS LIMITED OFFICIAL USE

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TIED TO SILVER, BUT WE HAVE HEARD NOTHING MORE ON THIS. IN THIS REGARD, THE 100 PESO SILVER COINS HAVE NOT YET BEEN ISSUED (SEE 76 MEXICO 15939) BUT WE HAVE HEARD THEY SHOULD BE OUT WITHIN A MONTH OR SO. THOMPSON

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